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Industrial Development Board

Resumed fourteenth session

SUMMARY RECORD OF THE 10th MEETING

COLLECTION

Held at the Vienna International Centre, Vienna,
on Tuesday, 31 October 1995, at 3 p.m.

President: Ms. OK (Turkey)

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The meeting was called to order at 4.55 p.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE:
(c) PROGRAMME AND BUDGETS, 1996-1997
(g) FINANCIAL SITUATION OF UNIDO
(continued) (IDB.14/9, IDB.14/2 and Corr.1, IDB.14/28, IDB.14/29, IDB.14/30)

1. **Mr. POSTA** (Observer for Hungary) expressed his delegation's deep concern that uncertainty still dominated the day-to-day operation of the Organization, further complicating the normal budgetary process of UNIDO for 1996-1997. Owing to doubts concerning payment by a major contributor of its assessed contribution and the prospect of its likely withdrawal from the Organization, the reliability of the proposed programme and budgets for the 1996-1997 biennium was questionable.

2. His delegation joined those who thought it necessary to approve the programme and budgets at the current session, not only for the uninterrupted normal operation of the Organization beyond 1 January 1996 but also because the absence of an approved budget would further damage the image of UNIDO. However, the budget should be based not only on basic provisions in the Statute of the Organization, but also on realistic income estimates. Hungary therefore strongly favoured the proposal to approve the budget in its original form, as proposed by the Programme and Budget Committee, bearing in mind the Director-General's responsibility to elaborate the required expenditure plans, based on the income situation and take action as needed.

3. The Hungarian delegation appreciated the preliminary expenditure plan submitted by the Director-General in document IDB.14/29. It could go along with the measures resulting in a reduction of $28.8 million, and the enforced cuts and proposed organizational changes seemed viable. It also appreciated the effort to minimize the impact of those measures on substantive programmes and to make the necessary savings and was pleased to note that the management was also prepared for a worst-case scenario. Should the need for such an undesirable option arise, the Director-General would be expected to take further measures to maintain the financial balance of the Organization in the light of realistic cash-flow expectations. The Organization must avoid the two possible extreme situations: the measures should not be insufficient, because that would generate ongoing contingency plans, and UNIDO's programmes and capacity to deliver services to Member States should not be cut by more than was absolutely necessary.

4. His delegation supported approval of the proposed programme and budgets, requesting the Director-General to take immediate action, should the need arise, in line with the preliminary expenditure and contingency plans, and to implement programmes within cash resource availability.

5. Reference to expenditure or contingency plans should in no way be interpreted as approval of the non-fulfilment by Member States of their financial obligations to UNIDO. His delegation deeply deplored the fact that 82 Member States had not even partially paid their assessed contributions for 1995. That was all the more regrettable since some of those States had benefited greatly from UNIDO's technical assistance or other related programmes. The situation should be changed fundamentally in the short term.

6. In the context of events marking the fiftieth anniversary of the United Nations, the Director-General had expressed the hope that UNIDO's reform process would enable it to be among the United Nations agencies celebrating the hundredth anniversary. His delegation would like to share that optimism and therefore supported the Organization's purpose-oriented reform and restructuring in the spirit of the Yaoundé recommendations.

7. The Hungarian National Committee for UNIDO was endeavouring to elaborate and identify new areas of cooperation between Hungary and UNIDO. In the past, such cooperation had been most useful to both parties. Hungary wished to rely in the future on UNIDO experts and institutional experience in a number of areas and was investigating the possibility of participation as a donor country for the Organization.

8. He supported the draft decision under consideration.

9. **Mr. POROJAN** (Romania) said that his delegation fully understood the crisis facing UNIDO and shared the views of the Director-General and the entire leadership of the Organization. It approved the programme and budgets and preliminary expenditure plan as presented.

10. His Government would make every effort to support UNIDO, and endorsed all the measures taken to permit its survival. It would very soon pay all its financial obligations to UNIDO.

11. **Mr. REINVART** (Slovakia) said that his Government agreed with the Director-General that the

Organization needed financial, as well as moral, support. The number of countries, including some major recipient countries, that had not yet paid their assessed contributions was astonishingly high, as was the amount of arrears. All outstanding contributions should be paid without delay, although the result would be very high unutilized balances for 1994-1995. Non-payment or late payment should be penalized, for instance by a reduction in the country's representation in the Organization or in the number of contracts and services provided.

12. Since the June 1995 session of the Industrial Development Board, the financial situation had not become clearer or more certain, as the main contributor had not yet indicated its final decision. His Government supported the programme and budgets for the biennium 1996-1997, within available cash resources, in accordance with the expenditure plans presented in document IDB.14/29.

13. Should the projected resources fall significantly after the withdrawal of a major contributor, the contingency plans should be considered by special sessions of the Programme and Budget Committee and the Industrial Development Board.

14. The Member States should already provide the Director-General with a mandate to continue the reform process, to reduce staff to the necessary level and to establish a separation indemnity reserve from the unutilized balances for the biennium 1992-1993. The amount of the severance indemnity reserve should be agreed upon by Member States.

15. His delegation believed that UNIDO would overcome the difficult financial situation if Member States met their financial obligations and cooperated closely with the Secretariat. It was convinced that UNIDO would successfully complete the reform process, increase the confidence of the international community in the reorganized UNIDO and provide high-quality services to the Member States.

16. **Mr. MARCHAN** (Ecuador) associated himself with the statements made on behalf of the Group of 77 and the GRULAC countries at the ninth meeting.

17. The great uncertainty about the future income levels of the Organization caused serious concern to his delegation and was not propitious for the Organization, particularly since the changes to be made would affect the staff and their work. It was essential that the Organization and the Member States should know the true parameters that would govern the Organization's future activity.

18. The Board had to adopt the programme and budgets for the biennium 1996-1997, as put forward by the Programme and Budget Committee, and should suspend financial regulation 4.2(b) and (c) in respect of the unutilized balances for the biennium 1992-1993. That would give the Director-General the means to carry on the work of the Organization and face the current financial difficulties.

19. When suspending or reducing costs and programmed activities because of the financial crisis, the Organization should safeguard its substantive programmes. The technical cooperation programmes, the *raison d'être* of the Organization, should be continued, to the extent possible, and the field representation should be maintained.

20. His delegation welcomed the guiding principles set out in paragraph 9 of document IDB.14/29 and agreed to the merging of major programmes on country strategy and programme development and on the mobilization and management of financial resources. Any adjustments made should be compatible with the reform process adopted in Yaoundé by all Member States.

21. He expressed his delegation's firm support for the reform efforts made by the Director-General and the leading role that UNIDO had played and should continue to play in the industrialization of developing countries.

22. **Mr. ZAIDE** (Philippines) said that it was ironic that UNIDO should have to defend its mandate at a time when it was more relevant than ever in serving the industrial development of developing countries.

23. His country had consistently supported the goals of UNIDO; the President of his country had recently reiterated his country's support for the reformed and restructured UNIDO, both at the Cartagena summit of the Non-Aligned Movement and at the United Nations Fiftieth Anniversary celebrations.

24. In view of current financial pressure on all countries, it was essential that scarce resources be used to the utmost. Despite financial constraints, his Government had paid and even over-subscribed its assessed contribution to UNIDO for 1995. He enjoined other concerned Member countries to affirm their support for UNIDO by honouring their financial obligations. Countries, particularly those like the Philippines, that stood to benefit from UNIDO's programmes, should do no less.

25. His delegation accepted the expenditure and contingency plans drawn up by the Secretariat on

the basis of the recommendations of the Programme and Budget Committee. The major guiding principle to be borne in mind was to safeguard the Organization's capacity to deliver its core substantive programmes.

26. Great caution should be exercised in staff reduction and action should be taken only after considering the merits of each case. The requirement of transparency should be observed, numbers should be optimized, maintaining the high quality of services. He urged the Secretariat to consider all possible non-staff expenditure reductions.

27. Missions should be constantly informed by the Secretariat concerning developments in the Organization's cash resources and the concomitant action to be taken, particularly in the light of departures from the data presented in the preliminary expenditure plans. It was to be hoped that a clearer and more definitive picture of the situation would emerge in the months ahead, presenting a better road map to chart the Organization's activities.

28. **Mr. Seung Kon LEE** (Republic of Korea) said that, in the two years since the developed and developing countries had unanimously reaffirmed their commitment to renewed political and financial support for the revitalized UNIDO in Yaoundé, the Director-General had taken various measures to streamline organizational structures, improve management and focus on substantive services. His delegation fully supported those measures.

29. His delegation shared the view that the current resumed session should approve the programme and budgets for 1996-1997, as contained in documents IDB.14/2 and Corr.1, for submission to the General Conference.

30. He was pleased to note that the expenditure plans were fully consistent with the ongoing reform process and incorporated the results obtained so far. He also agreed to the guiding principles for the proposed expenditure plan, as contained in document IDB.14/29. It was desirable to form contingency plans in preparation for a worst-case scenario, but such contingency plans should be put into effect only if the situation so demanded.

31. Only 87 out of 169 Member States had made full or partial payment of their assessed contributions during 1995, as of 30 September 1995. In the current financial uncertainty, it was particularly important that contributions be received in time and in full. He announced that his Government would very soon pay the outstanding portion of its contribution as an expression of support for the reformed UNIDO.

32. His delegation supported the Director-General's suggestion for the temporary suspension of the financial regulations with regard to the unutilized balances for the biennium 1992-1993. The way in which those unutilized balances should be spent could be decided later, taking account of various uncertain factors.

33. He reiterated his Government's firm commitment to the renewed objectives and priorities of the reformed UNIDO.

34. **Mr. DAMANPAK JAMI** (Islamic Republic of Iran) commended the Director-General and his staff for their constructive efforts in preparing the expenditure plans. He regretted that UNIDO, at the current stage of its reform process, which called for more practical support by all Member States, was facing a reduction of at least 13.8 per cent in expenditure, as compared with the estimated regular budget income for 1996-1997.

35. The proposals by the Director-General constituted a good basis for a decision by the Board and would allow the Organization to continue the reform process and further rationalize its activities and performance.

36. His delegation, like the other members of the Group of 77, was therefore prepared to approve the programme and budgets for the 1996-1997 biennium, as proposed by the Programme and Budget Committee in its conclusion 95/8, to be implemented within the cash resources available and in accordance with the expenditure plans presented in document IDB.14/29. He also supported the proposal to recommend to the sixth session of the General Conference the suspension of the relevant financial regulations with regard to the utilization of unutilized balances from the 1992-1993 biennium in order to fund the separation indemnity reserve.

37. While supporting the expenditure reduction in the budget for the next biennium, though regretting the need for such action, he hoped that there would be the least possible impact on substantive programmes. He referred particularly to the major programme on country strategy and programme development, which was facing a reduction of more than $3.2 million, and the major programme on operational support services, which was subject to a reduction of more than 35 per cent. The Secretariat should provide adequate information on the impact of the expenditure reductions on unavoidable costs arising in certain important areas.

38. His delegation trusted that executive management of the Organization could take action to limit the negative effects of the expenditure reductions as much as possible. It was to be hoped that UNIDO's financial situation would improve in the near future as a result of a change in the current pattern of payment of assessed contributions by Member States, in particular the major contributors. By so doing, Member States would give practical effect to their declarations of political and financial support for UNIDO made in Yaoundé and during the two years of the reform process.

39. **Ms. HASAN** (Pakistan) said that the financial uncertainty caused by the announcement by the major contributor that it might not pay its assessed contribution in full or in time had not been removed since the suspension of the fourteenth session in June 1995. She thanked the Director-General for preparing contingency plans to meet the resultant crisis.

40. While she shared the Director-General's optimism that the Organization could work efficiently with reduced funds, she felt that extrabudgetary resources should also be mobilized so that UNIDO would be able to maintain its capacity to provide its Member States with the services required.

41. It seemed that the Organization might eventually lose its major contributor, which would reduce UNIDO's financial resources by at least a quarter. All Member States were legally obliged to pay their regular and outstanding dues and, if payments were not received in time, the Organization could not be expected to implement the approved plans. Her Government had paid all amounts due and also its assessed contribution for 1995. She appealed to all Member States to pay their assessed contributions in time and supported the idea of setting up an informal group to improve payment.

42. The meeting of the Ministers of Industry of the Asia and Pacific Region held in New Delhi in the current month had unequivocally reiterated the region's support for UNIDO. Other regional groups, the Group of 77 and the Non-Aligned Movement had expressed their conviction that UNIDO was playing an important role in the industrialization of developing countries and should therefore be strengthened. She associated herself with those declarations.

43. The reform process and the reduction of staff and operational and administrative costs should be based on an objective and pragmatic reassessment of UNIDO's major programmes and should focus on selected themes. They should not be considered as ends in themselves.

44. There was some force in the suggestion that staff from Member States that regularly paid their dues might be considered more eligible for retention by UNIDO than staff from States that had defaulted on payments for years or had simply lost interest in the work of the Organization.

45. In her capacity as chairperson of the Asian Group, she said that the Group unanimously supported the preliminary expenditure plans set forth in document IDB.14/29 and the Director-General's proposal for use of the unutilized balances. The Group felt that, while the creation of a separation indemnity reserve was important, attention should also be paid by the Organization to devising more substantive and relevant measures.

46. UNIDO need not and should not be on the defensive about its mandate or role. The world had not changed in any way that made the Organization either irrelevant or unimportant. Her country would support UNIDO in the areas in which the Director-General had asked for support in his opening statement at the ninth meeting.

47. **Mr. SSENDAULA** (Uganda) welcomed the reports of the Director-General on the programme and budgets for 1996-1997 and on the financial situation of UNIDO and supported the recommendations therein. It was unfortunate that it had been necessary, for reasons connected with the major contributor, to urge Member States to pay their regular budget contributions for the past bienniums.

48. His delegation felt that the need for the Organization was today even greater than before. In view of the Uruguay round of negotiations and the creation of the World Trade Organization, the African countries in particular needed a body like UNIDO. Member States should be more strongly urged to pay their contributions so that UNIDO might survive.

49. The need for UNIDO had been acknowledged in a number of forums, including the Gaborone Conference of African Ministers of Industry, which had demanded that the developed countries provide political and financial support for UNIDO. Other bodies such as the Group of 77 and the Conference of Ministers of Industry of the Asia and Pacific Region had adopted similar resolutions so that it was important to appeal to the major contributor to review its position.

50. It had been said that UNIDO's work could be covered by the private sector, but the private sector in Africa, particularly in the LDCs, was very weak, so that an organization such as UNIDO was needed.

51. In the current Second Industrial Development Decade for Africa, the beneficiary countries were better prepared and better able to present their positions than in the First Decade. It was therefore sad to note the attitude of the major contributor. Before the Yaoundé Conference, the major contributor had called for the restructuring of UNIDO. That had been done, accompanied by a considerable staff reduction. The Organization was now faced with another invisible problem. Was there anything else that the major contributor wished to have done so that the Organization might continue?

52. It was better to have UNIDO, where countries could obtain information and technical assistance rather than being forced to appeal individually to the major contributor for help. He asked the major contributor to rethink its position and to make a gradual, rather than an abrupt, withdrawal, so as to avoid disrupting the Organization. Africa, with 33 LDCs, could catch up with the rest of the world only if it had industrial muscle.

53. **Mr. DE YTURRIAGA BARBERAN** (Spain) appealed to all Member States, large or small, developed or developing, to meet their financial obligations to UNIDO in full, on time, and without conditions.

54. It had been expected that, by the time of the resumption of the session, the United States authorities would have clarified their position *vis-à-vis* UNIDO and would have provided precise information on their contributions to the Organization. Unfortunately, that was not the case. The financial situation of UNIDO remained extremely uncertain. Not only had the United States answered legitimate inquiries with silence, but also, as at 30 September 1995, $88,055,586 was due to the Organization from 82 Member States, almost half of its membership. Apart from the $39 million owed by the United States in arrears and its contribution for 1995, other Member States owed $49 million. Ten Member States alone owed $32.5 million and, obviously, not one of the latter was among the least developed countries.

55. As stressed by his country, speaking on behalf of the European Union at the General Assembly on the financial situation of the United Nations, unilateral decisions by any Member State conflicting with their financial obligations to the Organization were unacceptable. Irrespective of their reasons and motivations, Member States must comply with their legal commitments and discharge their financial obligations as long as they remain members of an organization.

56. At a time when support for UNIDO's reform and even its survival was most crucial, many Member States were failing to provide real and tangible support. It was not enough for States to give oral political support to the Organization if a viable financial basis was not provided. Spain had given, and would continue to give, its economic support to UNIDO and offered its total support to the reform process agreed at the fifth session of the General Conference, provided that the Organization complied with the Yaoundé recommendations. The European Union, including Spain, contributed 34.3 per cent of the total of UNIDO's regular budget, but other Members should also cooperate by paying their dues.

57. Although his country considered the proposed budget to be unrealistic, it was ready to support its approval as submitted by the Programme and Budget Committee. In the current extraordinary circumstances, the budget should serve only as a reference and would have to be changed if appropriate. It was very much to be hoped that the United States would clarify its position with regard to UNIDO by the beginning of the sixth session of the General Conference.

58. The drastic reductions proposed by the Secretariat were particularly demanding for the Organization and its staff, but seemed unavoidable. In the current extraordinary circumstances, he agreed to the Director-General's proposal to establish a separation indemnity reserve. He also agreed that the portion of the unutilized balances from the 1992-1993 biennium paid in by 31 December 1995 should be used, but for the sole purpose of partially funding the reserve. It should be understood that no precedent was established thereby. He was presenting a draft resolution on the subject, together with other delegations, and hoped that it would be acceptable to all Member States.

59. He had also taken note of the measures proposed in document IDB.14/29 concerning the future structure of UNIDO, the clustering of several units and the elimination of two major divisions. He reserved his comments in the hope of receiving at the earliest opportunity a progress report on the reform of the Organization. The proposed measures were steps in the right direction.

60. As long as it followed the path of necessary reform, UNIDO could rely on the critical support of his delegation.

61. **Mr. GUILAVOGUI** (Guinea) said that his Government appreciated the efforts of the Organization to respond to the requests of Member States in an unprecedented financial crisis. The proposed preliminary expenditure plans reflected the Director-General's concern to comply with the requirements of the Yaoundé Declaration despite that crisis. They highlighted UNIDO's will to equip itself with the means to make

optimum use of resources, the need to complete the reform process in order to enable the Organization to meet the demands of Member States, in particular those of the LDCs, and the priority accorded to the industrialization of the LDCs in Africa under the Second IDDA and in other regions and to the introduction of major administrative and structural changes.

62. In the prevailing difficult circumstances, Member States should renew their political and financial commitment to UNIDO; he appealed to the international community to offer its fullest material, moral and political support, so that the proposed programme and budgets for the biennium 1996-1997 could be effectively implemented.

63. Guinea was one of the countries which most needed UNIDO's services, and was more than ever aware of the threat to the survival of the Organization. It fully approved the proposed programme and budgets and was willing, within its means, to give its full support to their implementation.

64. The proposed reduction of staff made it necessary to use the unutilized balances from the biennium 1992-1993 for the separation indemnity reserve.

65. **Mrs. SPILLMAN-STEIB** (Switzerland) said that her delegation had noted that not only the major contributor but also a large number of other countries were in arrears with their contributions. Such failure to fulfil financial obligations in full, on time and unconditionally constituted a moral problem among Member States and made it difficult for UNIDO to pursue its reforms, meet its priorities and undertake its work. All Member States which had not yet paid their assessed contributions should do so promptly. UNIDO should take advantage of the means available to it for sanctioning those Member States which failed to honour their financial commitments; her delegation fully supported the relevant remarks by the representative of Japan at the ninth meeting. A "watch list" of such countries could be established, curtailing their possibilities regarding personnel selection and procurement of goods.

66. With regard to the proposed expenditure plans and contingency plans, her delegation believed that, even in the worst-case scenario, UNIDO could reorganize itself along the lines of new public management ideas; it might in the long run prove more beneficial to hire external experts for specific tasks, provided that the relevant conditions and criteria were clearly defined. Should the projected cash resource availability fall significantly below the assumptions contained in document IDB.14/29, Switzerland would be willing to allow the unutilized balances from the biennium 1992-1993 to be used for the partial funding of the separation indemnity reserve.

67. She asked whether any new guidelines concerning UNIDO's comparative advantages had emerged from the recommendations of the external consultant and whether any of those recommendations had been taken into account in the programme and budgets for 1996-1997.

68. She stressed her country's commitment to the Yaoundé Declaration and to the reform process.

69. **Mr. SNYDER** (United States of America) said that the budgetary climate in Washington was extraordinarily difficult and that the outlook for funding the United Nations was still murky. As the Secretary-General had recently made clear to the world, many Member States, most notably the United States, were behind in payments to the United Nations regular budget. His country had not yet paid its 1995 contribution to the UNIDO regular budget; it was also true that about half of UNIDO's Member States had not yet paid their 1995 assessed contributions, though that fact had received less international attention.

70. Owing to the current deficit reduction exercise in his country, the foreign affairs budget had declined by 45 per cent since 1984, though payments from it to international organizations had continued to rise steadily. That was no longer sustainable. A budget request of $923 million had been made by the United States Government to cover its assessed contributions to all international organizations for the fiscal year 1996. However, from indications to date, a drastic shortfall would have to be faced, the House of Representatives having approved $858 million but the Senate only $550 million. A meeting would shortly be held to decide on the final appropriation.

71. It should not be overlooked that, during the previous 13 months, the United States of America had contributed over $1.5 billion directly to the United Nations, including over $570 million for peace-keeping. The current Administration was strongly committed to meeting the country's obligations to the United Nations and was engaged in a continuing dialogue with Congress to that end.

72. At the April 1995 session of the Programme and Budget Committee, his delegation had explained that the severe budgetary constraints facing his Government placed at risk its ability to finance its assessed contributions to UNIDO, and it had urged the Organization to take steps to accommodate the likelihood of significant shortfalls. At the Board session in June

1995, his delegation had called for a reformulation of the budget estimates for 1996-1997, taking into account the probability of a substantial reduction in income and had announced that it expected to pay less than one half of its 1995 assessment, if indeed permitted to make any payment by the legislature. It had also stated that future United States participation in UNIDO was uncertain. It was highly unlikely that the United States of America would be a Member of the Organization after 1996, and his delegation hoped to make a definite statement soon, and certainly by the end of 1995.

73. He appreciated UNIDO's efforts to make provision for the probable withdrawal of the United States and its likely inability to pay more than half its assessed contribution in 1995 or any assessed contribution at all in 1996. While acknowledging that there would be legal payment obligations towards UNIDO even after withdrawal, it was uncertain when payments would be made. As a principle of good management UNIDO should therefore develop expenditure plans based on such shortfalls.

74. However, the Organization felt bound to present a budget based on full payment of assessed contributions by all Member States. Since that was unrealistic, his delegation had to reserve its position on such a budget. It would not block consensus but was unable to join the consensus.

75. His Government still had an open mind about the reform process pursued by the Organization. It was regrettable that developments external to that reform, reflecting the political process in the United States, had intervened and perhaps short-circuited the efforts to reinvent UNIDO. The Organization had made some progress towards becoming a more efficient participant in the global effort to achieve sustainable development. Budgetary reductions could well amplify the reform process, especially if UNIDO's cut-backs struck first and hardest at non-programme and non-staff targets.

76. A knowledge-based organization such as UNIDO could ill afford to lose its best staff members, particularly at a time of crisis. His delegation had noted the remarks made in that connection by the President of the Staff Council. Action taken by national Governments should not be a factor in deciding whether their citizens' services should be retained by the Organization. While his Government intended to pay what it could, unjustified separation of United States employees would make it even more difficult to convince Congress that such payments were merited. Retention of well qualified staff of proven dedication had to be a high priority if the Organization's mission was to succeed.

77. **Mr. KASEMSARN** (Thailand) said that all delegations were aware of the current difficult situation faced by UNIDO and recognized that a lack of knowledge about exact resources made it difficult to plan further activities. As had been pointed out by the President of the Staff Council in his statement, there were three core elements in the running of the Organization: the administration, the staff and the Member States.

78. In recent decades, UNIDO had played a useful role in economic development, and both developing and developed countries had benefited from its existence. Despite the current difficulties, his delegation supported the reform process endorsed at Yaoundé and urged other countries to do so in order to help UNIDO to remain competitive in a rapidly changing world. The crisis might be regarded as an opportunity to consider issues and goals facing the reformed Organization.

79. The proposed preliminary expenditure plans showed that the Director-General and the Secretariat had made satisfactory preparations for dealing with the uncertainty regarding payments. Thailand fully supported the revised programme and budgets for 1996-1997 and the proposed contingency plans.

80. His delegation had noted with concern that, as at 30 September 1995, unpaid assessed contributions amounted to $33 million for the period 1986-1994 and to nearly $55 million for 1995, and that the total cumulative amount outstanding at current rates was $88 million, giving a 67.48 per cent collection rate for the 1995 assessment. That represented an improvement over the previous year but the situation was serious in view of the possibility of non-payment by a major contributor in the next biennium. He therefore strongly urged all Member States to fulfil their legal obligations to the Organization.

81. His delegation considered it essential for UNIDO to establish a separation indemnity reserve and supported the suspension, as an exception, of financial regulation 4.2(b) and (c) to enable UNIDO to use the unutilized balance for 1992-1993 for funding that reserve.

82. **Mr. DASQUE** (France) said that his delegation fully endorsed the position expressed by the representative of Spain. He associated himself with the latter's appeal to Member States to pay their outstanding assessed contributions. Since such an appeal might not be heeded in full, the Secretariat was correct in formulating preliminary expenditure plans. The establishment of a separation indemnity reserve was an appropriate initiative.

83. The proposed expenditure plans mentioned in the annex to document IDB.14/29 included the discontinuation of the major programme on the mobilization and management of financial resources. While France was not opposed to a simplification of structures and the merging of services, it believed that the mobilization of funds was an essential function in the current circumstances. To entrust that task to a small unit with two Professional posts and one General Service post did not appear to be the most suitable arrangement.

84. Document IDB.14/29 and the information note of 27 October 1995 showed the laudable efforts of the Organization to reduce the share of administrative expenditure while maintaining to the extent possible the resources for the substantive programmes. Important areas, such as the mobilization and management of human resources and investment and technology promotion, were suffering considerable budgetary cuts. In view of the reduction of its resources, UNIDO should more than ever focus on a small number of priority sectors. In the budget originally approved for 1996-1997 contained in document IDB.14/2, high priority had been accorded to 33 out of a total of 77 industrial subsectors, to 17 out of a total of 31 subsectors within the agro-based industry sector, and to 11 out of a total of 23 subsectors in the chemical industries sector. Since those priority allocations seemed somewhat high, his delegation asked whether, in view of the current budgetary constraints, any further reduction in the number of priority areas was envisaged. He reserved the right to revert to those questions during the General Conference.

85. **Mr. MAYERHOFER-GRÜNBÜHEL** (Austria) said that, as a co-sponsor of draft decision IDB.14/L.27, Austria fully endorsed the statement made by the representative of Spain.

86. The representative of the United States of America had raised an issue of general constitutional concern in his statement by declaring that his delegation could not join the consensus on the budget for 1996-1997 because the Secretariat should have taken into account the expected shortfall in contributions from the United States of America and other countries. In his delegation's view, the Secretariat had no legal choice but to assume income on the basis of valid decisions concerning the assessed contribution shares of individual Member States. Indeed, the Secretariat could not change the shares attributed to the various Member States. It had therefore handled the matter correctly by providing supplementary information in the form of expenditure plans. Since it was being proposed that the budget be approved in conjunction with those expenditure plans, a realistic basis, which should be acceptable to the United States of America, had thus been established.

87. **Ms. SJOLANDER** (Sweden), **Mr. FULLMAN** (Observer for Ireland), **Mr. MELO** (Portugal), **Ms. KOORNNEEF** (Netherlands), **Ms. MAKELAINEN** (Observer for Finland), **Ms. BELLONI** (Italy), **Ms. HANSEN** (Observer for Denmark), **Mr. CEYSSENS** (Belgium), **Mr. OMÜR** (Turkey) and **Mr. KARA** (Observer for the Czech Republic) fully associated themselves with the statement made by the representative of Spain, in particular, supporting the use of the unutilized balances from 1992-1993 for purposes of the separation indemnity reserve and appealing to all Member States to pay their dues.

88. **Mr. BOCHART** (Germany) said that, while agreeing for the most part with the remarks made by the States members of the European Union, his delegation wished to make the following additional points.

89. Examination of the budget was of the utmost political importance, since it enabled Member States to define the resources necessary to implement all the Organization's programmes over the ensuing two years, and it was in that spirit that his Government had examined the budget proposals of UNIDO.

90. Germany was not prepared to compensate for the failure of other contributors to pay their assessed contributions on time. The budget should accordingly be based on expected income or at least on a linear budget freeze that would have to be agreed. His Government doubted whether the basic requirements for a positive recommendation on the budget proposed for 1996-1997 and on the unutilized balance of the appropriations for the biennium 1992-1993 had been met. It would have preferred to have more time to consider all the implications. However, it appeared that all the other delegations were ready to take a decision on the matter at the current meeting. Germany therefore hoped that it would be possible to agree on the final wording of the draft resolution to be considered. His delegation was fully prepared to work together with all delegations with a view to reaching a consensus that would allow for the approval of a restrained budget, to be managed responsibly and efficiently, thus enabling UNIDO to function under very difficult circumstances.

91. **Mr. DE MARIA Y CAMPOS** (Director-General), responding to comments of delegations, said that it was of fundamental importance at the current stage that clear messages be sent to UNIDO. Uncertainty should be dispelled before the convening of the General Conference.

92. The basic issue, as indicated by the representative of Uganda, was that developing countries and a large

section of the international community recognized the need to support the industrialization of the developing countries and UNIDO in particular. If some Member States did not wish to support those aims, they should say so and, if they did wish to provide support, UNIDO should be given the necessary resources. He asked for a clearer statement as to what some countries felt to be lacking in UNIDO in terms of its reforms and its efforts to deal with the budget situation. Decisions lay with Member States.

93. He thanked Member States for their efforts to reach some conclusions regarding the current financial and budget situation of UNIDO. It was, however, necessary to stress several points.

94. It was gratifying that delegations recognized the need to propose to the General Conference the adoption of the budget in the terms recommended by the Programme and Budget Committee. The Secretariat had devoted great efforts to producing expenditure scenarios, reflecting unprecedented progress in UNIDO's reforms and willingness to face reality and had also prepared a non-paper containing contingency plans, which could be turned into a conference room paper; he needed guidance on the wishes of Member States regarding the preparation of other scenarios.

95. He had noted with great interest the efforts to reach a consensus on the question of unutilized balances and the comments on the draft decision IDB.14/L.29. The use of such resources had been considered to be the most appropriate financial solution. He would be willing to return the unutilized balances to Member States in the event that the United States paid its outstanding contributions in full by 31 December 1995 and fully understood that the sole purpose of the Board's authorization to retain unutilized balances was the partial funding of the separation indemnity reserve. Therefore, he did not consider that facility as a reimbursable credit and was grateful for the willingness expressed by Member States to recommend to the General Conference the suspension of the relevant financial regulations. He would be happy if that were approved on the basis of the terms and assumptions mentioned.

96. It was heartening to hear Member States express their conviction that assessed contributions must be paid; he was grateful to those countries which had announced that payments were forthcoming. Some countries that were in arrears had been making formidable efforts. He was particularly gratified to hear that the Russian Federation had decided to make a payment of $2 million in addition to the $10 million already paid.

97. Voluntary contributions such as those indicated by certain Member States for the purpose of supporting South-South cooperation and field representation would also be welcome. Such voluntary contributions constituted the only way of ensuring a reinforced field representation network in the current circumstances.

98. Particular efforts were needed to support African and least developed countries; there was no doubt of the need to support IDDA and it was necessary to maintain the level of support originally authorized for the IDDA despite the presentation of reduced expenditure scenarios. He would welcome proposals concerning the work to be done and assured the Board that the Secretariat very clearly perceived the need to have the correct administrative structure for support to the IDDA. Though it was very difficult to strengthen certain specific areas in a scenario of reduced resources, he would do so at the earliest possible time.

99. He agreed that the African countries were underrepresented on the Secretariat, a fact that would be borne in mind, but pointed out that it was very difficult to maintain a constant level of participation in absolute numbers when there had been such large reductions in Professional staff over recent years. When he had joined the Organization, its staff had numbered some 1,350, but the current level was some 850 (excluding common service staff in Buildings Management Services), which showed the scale of efforts that had been made to economize but at the same time indicated the difficulty of increasing the participation of certain regions or countries. However, that matter would be taken into account seriously within the mandate to have the best possible quality of personnel. At the present time of uncertainty it was difficult to say how much could be done to redress the situation.

100. Several delegations had mentioned the need to take into account the payment of assessed contributions not only as an element requiring special efforts on the part of the Secretariat and the Member States but also as an issue with repercussions on representation, services received, etc. He suggested that an informal group of Member States might be appointed to look into those questions and give him guidance, because UNIDO must in one way or another recognize the effects of payment or non-payment of assessed contributions. He hoped that progress could be made with the support of such a group and thanked the delegations that had referred to the question.

101. As the representatives of France and Japan had mentioned, particular importance should be attached to the area of the Organization that dealt with the mobilization of financial resources. The proposals

presented clearly indicated the intention to build up important regional bureaux or branches that would consider both programmatic aspects and the mobilization of funds. The question should be carefully considered. He was open to suggestions as to how, with the limited resources available, the central unit for funds mobilization, which would also perform certain coordination functions, could be strengthened.

102. He would be ready to engage in consultations on all the matters he had mentioned and he wished it to be understood that what the Secretariat had presented so far were general scenarios, the details of which were open for discussion.

103. He was gratified at the general consensus among the Member States to have an approved budget, the absence of which would not only give a bad message but would also increase uncertainty and anxiety in the Organization. He assured the Board that he would continue to do his utmost not only to make the greatest possible savings but also, as the representatives of Ecuador and other developing countries had said, to safeguard to the maximum possible extent the substantive programmes of the Organization.

104. He thanked all those countries that had at the highest level expressed their support for UNIDO in the General Assembly and in the Board and hoped that with the necessary support from the Member States the new UNIDO could forge ahead.

INTRODUCTION OF A DRAFT DECISION (IDB.14/L.27, L.28 and L.29)

105. **Mr. DE YTURRIAGA BARBERAN** (Spain), introducing document IDB.14/L.27, announced the revised list of sponsors, namely, Austria, Australia, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Italy, Luxembourg, Mexico, Netherlands, Poland, Portugal, Slovakia, Spain, Sweden, Turkey and the United Kingdom of Great Britain and Northern Ireland. That draft decision had been considered in informal consultations and, in a spirit of compromise, had been taken as the basis for the draft decision in document IDB.14/L.29. The draft decision proposed the approval of the programme and budgets as recommended by the Programme and Budget Committee. He agreed fully with the representative of Austria that there was no alternative legally speaking, so long as there was no advice of withdrawal of a Member State. Whether the budget was realistic or not depended not on the Organization but on third parties. Despite uncertainty on that score, UNIDO had to have a budget shortly before the beginning of a new biennium.

106. He urged the Board to approve the draft budgets but on certain conditions, including a request that contingency plans be made to cover the eventuality of extraordinary circumstances which would change the *status quo* and make it necessary to review the budget. There was no other course than to suspend financial regulation 4.2(b) and (c) in order to permit the use of unutilized balances available up to 31 December 1995, though there might be some flexibility as to the deadline. That facility should be regarded as a loan to the Organization in an emergency and should be used solely for the separation indemnity reserve.

107. **Mr. AL-GHAIS** (Kuwait), speaking as chairman of the informal consultations, said that the group had been asked to consider two draft decisions, namely, those contained in documents IDB.14/L.27 and IDB.14/L.28. Document IDB.14/L.27 had been taken as the basis for consultations and a single text had been prepared. The draft decision now before the Board in document IDB.14/L.29 contained two main ideas, firstly, the approval of the programme and budgets for 1996-1997, including the plan of expenditure as proposed by the Director-General and secondly, approval of the use of unutilized balances from the 1992-1993 biennium for the separation indemnity reserve.

108. He pointed out that in the event of the withdrawal of a Member State, the policy-making organs would have to be reconvened for a fresh policy decision.

109. He thanked all participants in the group for the smooth and friendly spirit of the consultations and urged the Board to adopt the draft decision.

110. **Ms. HASAN** (Pakistan) suggested that the words "which has been paid in" in paragraph 6 be deleted since the reference to a deadline of 31 December 1995 had also been deleted.

111. **Mr. DE YTURRIAGA BARBERAN** (Spain) said that some delegations had requested that no specific date be entered and the co-sponsors had accepted that suggestion. It was important to mention that the money had been paid in, so that the current wording should be retained.

112. **Ms. HASAN** (Pakistan) thought that the question should not be left vague.

113. **Mr. DE MARIA Y CAMPOS** (Director-General) said that the words "which has been paid in" should be retained as the funds must have been received by the Treasury and be available for use. No particular problem would be caused by leaving the question of the date open.

114. **Mr. EL-HUSSEIN** (Sudan) drew attention to an error in paragraph 2 of the Arabic version.

115. **Mr. WANG** (China) said that the date of 31 December 1995 appeared in paragraph 6 of the Chinese version.

116. **The PRESIDENT** said that errors in the translations would be corrected. She drew attention to draft decision IDB.14/L.29.

117. *The draft decision was adopted, subject to the necessary corrections.*

118. **Mr. BOCHART** (Germany) wished to clarify his delegation's understanding of the text adopted, which did not satisfy him on all counts. In his understanding the reference to expenditure plans in paragraph 3 referred not only to IDB.14/29 but also to the non-paper on the "worst-case scenario". He was not happy that the reference to 31 December 1995 had been removed from paragraph 6 of document IDB.14/L.29. He was also not satisfied with the explanation given by the Director-General regarding the "credit" referred to in that paragraph. In his view, a "credit" must be interpreted as reimbursable to Member States when the possibility for such reimbursement arose, which, he believed, should be not later than the end of the 2000-2001 biennium.

119. He nevertheless expressed his appreciation to all delegations involved, to the chairman of the informal working group and the President on arriving at the decision just adopted and looked forward to continued work on an agreed budget at the General Conference.

ADOPTION OF THE REPORT OF THE RESUMED FOURTEENTH SESSION

120. **The PRESIDENT** said that it had not been possible for practical reasons to prepare a draft report on the work of the resumed session for adoption by the plenary and suggested that the Rapporteur and his Friends be asked to prepare and finalize a report to be submitted to the General Conference as an addendum to the Report of the fourteenth session in document GC.6/4.

121. *It was so decided.*

CLOSURE OF THE RESUMED FOURTEENTH SESSION

122. **Mr. DE MARIA Y CAMPOS** (Director-General) thanked all Member States for expressing their concern for UNIDO and its future. It was particularly important that the representative of Germany should have referred to the UNIDO scenario for 2001, which should be kept in mind.

123. He hoped that it would be possible at the General Conference to build on the results of the reform work done, to the satisfaction of delegations.

124. **The PRESIDENT** declared the session closed.

The meeting rose at 7.30 p.m.